

01 June 2020

The MEC of Finance
The MEC of Co-operate Governance and Traditional Affairs

Dear Sir

RE: KOUGA LOCAL MUNICIPALITY'S FAILURE TO COMPLY WITH S24 OF THE MUNICIPAL FINANCE MANAGEMENT ACT NO. 56 OF 2003

In accordance with S27(1) of the Municipal Finance Management Act No. 56 Of 2003, The mayor of a municipality must, upon becoming aware of any impending non-compliance by the municipality of any provisions of this Act or any other legislation pertaining to the tabling or approval of an annual budget or compulsory consultation processes, inform the MEC for finance in the province, in writing, of such impending non-compliance.

The Council of Kouga Local Municipality had a Council meeting on Friday, 29 May 2020 to consider the IDP / Budget for the 2020/21 MTREF in accordance with section 24 of the Municipal Finance Management Act No. 56 Of 2003.

The IDP / Budget for the 2020/21 MTREF was considered by Council and was not approved and deferred a Special Council meeting based on the following –

- o The Council was not comfortable in projecting a collection rate for the 2020/21 financial year by utilising the April 2020 collection rate of 77% only and estimating collections for the 2020/21 year by using market analysis and predictions, under the current COVID-19 conditions.
- o The Council is of the view that a more accurate projection of the collection rate for 2020/21 financial year can be determined by utilising the collection rate of May 2020 as this would provide an indication of the real effects of COVID-19 taking various factor into account, including the change in COVID-19 Levels.
- o The Council noted that the reduction in each percentage of revenue collection will require the municipality to reduce its budget by an estimated amount of R7million / 1%.

- o The Council is also of the view that further consultation on the IDP and Budget is required, due to material changes in the IDP and Budget, from the Draft IDP and Budget considered by Council on 26 March 2020.

The Municipality intends to comply with section 25 of the Municipal Finance Management Act and a Special Council meeting is set for Friday, 5 June 2020 to consider the IDP and Budget for the 2020/21 MTREF.

Kouga Local Municipality is committed to ensure that the IDP and Budget for the 2020/21 MTREF will be approved before the start of the 2020/21 financial year.

Yours faithfully

A handwritten signature in black ink, appearing to read 'C Du Plessis', is written over a horizontal line.

C Du Plessis
MUNICIPAL MANAGER